

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 CIAE-00 DODE-00 NSAE-00  
NSCE-00 SSO-00 ICAE-00 INRE-00 AID-05 CEA-01  
COME-00 EB-08 FRB-03 INR-10 SP-02 STR-07 TRSE-00  
LAB-04 SIL-01 OMB-01 STRE-00 /078 W  
-----020452 311136Z /11

O 311113Z MAY 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC IMMEDIATE 6935  
INFO USMISSION GENEVA  
AMEMBASSY PARIS  
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 01 OF 03 BRUSSELS 10557

USEEC

PARIS FOR OECD  
GENEVA ALSO FOR MTN  
DEPARTMENT PASS ELECTRONICALLY STR FOR HEIMLICH

E.O.11652:GDS  
TAGS: ETRD, EEC  
SUBJECT: DRAFT STEEL RESOLUTION WORKING GROUP SESSION  
OF US/EC CONSULTATIONS, MAY 26

REF: (A) BRUSSELS 10396, (B) BRUSSELS 10496

EC COMMISSION HAS GIVEN US A COPY OF THE REVISED TEXT  
OF THE DRAFT RESOLUTION ON STEEL WHICH WAS AGREED AD  
REFERENDUM AT THE MAY 25-26 US/EC CONSULTATIONS (REF A).  
TEXT FOLLOWS:

BEGIN TEXT:

PROBLEMS  
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1. THE WORLD'S STEEL INDUSTRY IS EXPERIENCING SERIOUS  
DIFFICULTIES OF BOTH A CYCLICAL AND STRUCTURAL NATURE.  
THESE DIFFICULTIES ARE WIDESPREAD AND ARE CHARACTERIZED  
BY:

- PERSISTENT EXCESS CAPACITY,  
- UNJUSTIFIABLY LOW PRICES ON WORLD MARKETS,

- MARKED CHANGES IN TRADITIONAL TRADE PATTERNS,
  - MAJOR DISLOCATIONS OF LABOR, FREQUENTLY IN AREAS ALREADY EXPERIENCING HIGH UNEMPLOYMENT
  - DEPRESSED FINANCIAL PERFORMANCE AMONG PRODUCERS, WHICH HOLDS DOWN INVESTMENTS NEEDED FOR MODERNIZATION AND RATIONALIZATION OF PLANTS,
  - INCREASING GOVERNMENTAL INTERVENTION IN STEEL SUPPLY AND DEMAND, ESPECIALLY WITH FOREIGN TRADE.
2. IN VIRTUALLY ALL MAJOR STEEL PRODUCING NATIONS STEEL OCCUPIES A CENTRAL PLACE IN THE NATIONAL ECONOMY. IN A NUMBER OF MAJOR AREAS, THE MAGNITUDE OF STRUCTURAL PROBLEMS CONFRONTING THE STEEL SECTOR AND RESULTANT SOCIAL AND ECONOMIC IMPLICATIONS OF THE NECESSARY STRUCTURAL ADJUSTMENTS ARE SUBSTANTIAL.
3. THE INTERRELATIONSHIP OF DEVELOPMENTS IN THE STEEL SECTORS FROM COUNTRY TO COUNTRY AND THE POTENTIAL THAT UNILATERAL ACTIONS AND POLICIES CAN AGGRAVATE THE PROBLEMS OF OTHERS HAVE BECOME CLEAR. THE CONVERGENCE OF CYCLICAL PROBLEMS AMONG MANY NATIONS SERVES TO INTENSIFY THE PROBLEMS FACED BY EACH. THERE IS GENERAL RECOGNITION THAT THERE MAY WELL BE RECURRING CYCLICAL DIFFICULTIES.

#### OBJECTIVES

4. IN VIEW OF THESE DIFFICULTIES, GOVERNMENTS NEED TO WORK CLOSELY TOGETHER IN ORDER TO:
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- ENSURE THAT TRADE IN STEEL WILL BE FAIR AND REMAIN AS FREE AS POSSIBLE. RESTRICTIVE ACTIONS SHOULD BE AVOIDED AND WHERE NECESSARY, STRICTLY LIMITED IN SCOPE AND TIME,
  - ENCOURAGE REDUCTION OF BARRIERS TO TRADE,
- ENABLE GOVERNMENTS TO ACT PROMPTLY TO COPE WITH CRISIS SITUATIONS, IN CLOSE CONSULTATION WITH INTERESTED TRADING PARTNERS AND IN CONFORMITY WITH AGREED PRINCIPLES,
- FACILITATE NEEDED STRUCTURAL ADAPTATIONS THAT WILL DIMINISH PRESSURES FOR TRADE ACTIONS AND PROMOTE RATIONAL ALLOCATION OF PRODUCTIVE RESOURCES WITH THE AIM OF ACHIEVING FULLY COMPETITIVE ENTERPRISES,
- ENSURE THAT MEASURES AFFECTING THE STEEL INDUSTRY ARE CONSISTENT TO THE EXTENT POSSIBLE WITH GENERAL ECONOMIC POLICIES AND TAKE INTO ACCOUNT IMPLICATIONS FOR RELATED INDUSTRIES
  - AVOID ENCOURAGING ECONOMICALLY UNJUSTIFIED INVESTMENTS WHILE RECOGNIZING LEGITIMATE DEVELOPMENTS NEEDS,
  - FACILITATE MULTILATERAL COOPERATION CONSISTENT WITH THE NEED TO MAINTAIN COMPETITION, TO ANTICIPATE AND, TO THE

EXTENT POSSIBLE, PREVENT PROBLEMS.

5. TO ACCOMPLISH THESE OBJECTIVES IT IS HEREBY RESOLVED  
THAT A STEEL COMMITTEE BE ESTABLISHED.

COMMITTEE FUNCTIONS

6. THE STEEL COMMITTEE WILL MEET REGULARLY AND IN SPECIAL  
SESSIONS AS REQUIRED TO:

(1) CONTINUOUSLY FOLLOW NATIONAL, REGIONAL, AND WORLD  
SUPPLY AND DEMAND CONDITIONS IN STEEL AND CLOSELY RELATED  
INDUSTRIES WITH A VIEW TO IDENTIFYING POTENTIAL PROBLEMS  
AND IMPLICATIONS AND MAKING ASSESSMENTS AND FORECASTS  
AVAILABLE TO ALL INTERESTED PARTIES.

(2) CONTINUOUSLY FOLLOW THE EVOLUTION OF NATIONAL, REGIONAL

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COME-00 EB-08 FRB-03 INR-10 SP-02 STR-07 TRSE-00  
LAB-04 SIL-01 OMB-01 STRE-00 /078 W  
-----020516 311208Z /43

O 311113Z MAY 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC IMMEDIATE 6936  
INFO USMISSION GENEVA  
AMEMBASSY PARIS  
AMEMBASSY TOKYO

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AND WORLD STEEL INDUSTRIES WITH REGARD TO EMPLOYMENT,  
PROFITS, INVESTMENTS, CAPACITY, PRODUCTION COSTS,  
PRODUCTIVITY, AND OTHER ASPECTS OF VIABILITY AND  
COMPETITIVENESS.

(3) DEVELOP COMMON PERSPECTIVES REGARDING EMERGING PROBLEMS  
OR CONCERNS IN THE STEEL SECTOR AND ESTABLISH, WHERE  
APPROPRIATE, MULTILATERAL OBJECTIVES OR GUIDELINES FOR  
GOVERNMENT POLICIES.

(4) REGULARLY REVIEW GOVERNMENT POLICIES AND ACTIONS IN THE  
STEEL SECTOR TO ASSESS THEIR APPROPRIATENESS TO THE CURRENT  
SITUATION AND THEIR CONSISTENCY WITH AGREED MULTILATERAL  
OBJECTIVES AND GUIDELINES, WITH THE G.A.T.T. OR OTHER

INTERNATIONAL AGREEMENTS.

(5) IDENTIFY DEFICIENCIES AND GAPS IN EXISTING DATA NEEDED BY THE COMMITTEE WITH A VIEW TO IMPROVING NATIONAL INPUTS TO THE COMMITTEE AND CROSS-NATIONAL COMPARABILITY OF DATA.

MEMBERSHIP

7. MEMBERSHIP OF THE STEEL COMMITTEE WILL BE OPEN TO  
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BEGIN SQUARE BRACKET: O.E.C.D. END SQUARE BRACKET COUNTRIES WITH EITHER SUBSTANTIAL STEEL PRODUCTION OR TRADE INTERESTS, PROVIDED THAT SUCH COUNTRIES AGREE TO UNDERTAKE BASICALLY THE SAME COMMITMENTS MADE BY OTHER MEMBER COUNTRIES ON THE COMMITTEE. BEGIN SQUARE BRACKET: THE COMMITTEE MAY DECIDE WHETHER ANY NON-O.E.C.D. COUNTRIES THAT MEET THE ABOVE REQUIREMENTS SHOULD BE INVITED TO TAKE PART IN THE COMMITTEE'S WORK, AND WITH WHAT STATUS. END SQUARE BRACKET.

INITIAL COMMITMENTS

8. THE MEMBERS OF THE STEEL COMMITTEE AGREE TO THE FOLLOWING MULTILATERAL GUIDELINES WITH RESPECT TO STEEL CRISIS TRADE ACTIONS:

(1) NO ACTIONS SHOULD BE INCONSISTENT WITH G.A.T.T. PROVISIONS.

(2) WHEN ACTIONS ARE NECESSARY THEY SHOULD BE AS LIMITED AND TEMPORARY AS POSSIBLE.

(3) ALL ACTIONS SHOULD BE REPORTED TO THE STEEL COMMITTEE PROMPTLY.

(4) ALL ACTIONS SHOULD BE CLOSELY RELATED TO ANY POLICIES FOR THE STRUCTURAL ADAPTATION OF INDUSTRY. THE STATUS AND RATIONALE FOR MAINTAINING SUCH ACTIONS SHOULD BE REPORTED REGULARLY TO THE STEEL COMMITTEE.

(5) WHEN TAKING ACTION UNDER DOMESTIC LAW AND PROCEDURES TO DEAL WITH SERIOUS DIFFICULTIES OF ITS INDUSTRY A MEMBER SHALL TAKE INTO ACCOUNT THE CONCERNS OF TRADING PARTNERS THAT TRADITIONAL TRADE FLOWS NOT BE SEVERELY DISRUPTED.

(6) ACTIONS PURSUANT TO THE ANTI-DUMPING CODE ARE INDICATED WHEN INJURY TO THE DOMESTIC INDUSTRY IS DUE TO DUMPING.

(7) PRICE GUIDELINES ESTABLISHED PURSUANT TO THE INTERNATIONAL ANTI-DUMPING CODE ARE APPROPRIATE ONLY DURING CRISIS PERIODS OF SUBSTANTIAL EXCESS CAPACITY IN MAJOR EXPORTING COUNTRIES, WIDESPREAD PRICE CUTTING BY MANY  
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EXPORTERS OVER MANY PRODUCTS IN THE IMPORTING MARKET OR ON WORLD MARKETS, AND DEPRESSED DOMESTIC INDUSTRY CONDI-

TIONS SUCH AS LOW CAPACITY UTILIZATION, PROFITS, SALES, INVESTMENTS, AND EMPLOYMENT. THE STEEL COMMITTEE SHOULD REGULARLY REVIEW THE NEED FOR SUCH MEASURES. SUCH ACTIONS SHOULD BE EXPEDITIOUSLY REMOVED OR LIBERALIZED AS CONDITIONS IMPROVE.

(8) PRICE GUIDELINES ESTABLISHED PURSUANT TO THE ANTI-DUMPING CODE SHOULD NOT EXCEED THE LOWEST PRICES OR THE SUMS OF THE FULL COSTS OF PRODUCTION (INCLUDING OVERHEAD), PROFIT, DELIVERY COSTS TO THE IMPORTING MARKET AND IMPORT DUTIES, IN THE SUPPLYING COUNTRY OR COUNTRIES WHERE NORMAL CONDITIONS OF COMPETITION PREVAIL.

(9) PRICE-RELATED MEASURES ARE PREFERRED WHEN G.A.T.T. ARTICLE XIX ACTIONS ARE TAKEN IN THE STEEL SECTOR. BEGIN SQUARE BRACKET: SUCH MEASURES SHALL TAKE ACCOUNT OF TRADITIONAL TRADE FLOWS TO AVOID ABRUPT DISRUPTIONS. END SQUARE BRACKET. BEGIN SQUARE BRACKET: QUANTITATIVE RESTRICTION MAY ONLY BE TAKEN PURSUANT TO ARTICLE XIX OF THE G.A.T.T. END SQUARE BRACKET.

(10) THE NEED FOR CONTINUATION OF ARTICLE XIX MEASURES SHOULD BE REVIEWED REGULARLY BY THE STEEL COMMITTEE, INCLUDING CONSIDERATION OF PROGRESS TOWARD RESTRUCTURING. IN THE EVENT THAT THE STEEL COMMITTEE FEELS THAT AN ACTION IS OR CONTINUES TO BE WARRANTED, THE PARTICIPATING GOVERNMENTS WILL REFRAIN FROM EXERCISING THEIR RIGHTS TO PROCEED TO THE WITHDRAWAL OF SUBSTANTIALLY EQUIVALENT CONCESSIONS.

(11) PROVISIONAL ACTIONS IN CRITICAL CIRCUMSTANCES UNDER G.A.T.T. ARTICLE XIX ARE APPROPRIATE ONLY WHEN THERE ARE SEVERE UNEMPLOYMENT OR UNDEREMPLOYMENT, DEPRESSED INDUSTRY CONDITIONS, AND SHARP ACCELERATION OF IMPORTS OR IMPORT

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TRSE-00 LAB-04 SIL-01 OMB-01 /078 W  
-----020560 311202Z /43

O 311113Z MAY 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC IMMEDIATE 6937

INFO USMISSION GENEVA  
AMEMBASSY PARIS  
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SHARES THAT THREATEN IRREPARABLE DAMAGE TO THE DOMESTIC  
INDUSTRY BY IMPAIRING THE FINANCIAL VIABILITY OF  
COMPETITIVE FIRMS.

BEGIN SQUARE BRACKET: (12) MEMBERS OF THE COMMITTEE UNDER-  
TAKE NOT TO AUTHORIZE, OR ACQUIESCE IN, THE AVOIDANCE OF  
'THESE COMMITMENTS. END SQUARE BRACKET.

9. THE MEMBERS OF THE STEEL COMMITTEE AGREE THAT GOVERN-  
MENTAL INSTITUTIONS EXTENDING CREDITS INTERNATIONALLY  
WOULD TAKE DUE ACCOUNT OF EXPECTED SUPPLY AND DEMAND  
CONDITIONS IN SUPPORTING NEW CAPACITY ADDITIONS; THAT  
MEMBER GOVERNMENTS SHOULD AVOID ANY FORM OF COMPETITIVE  
SUBSIDIZATION OF NEW STEELMAKING CAPACITY; AND THAT THE  
POLICIES OF GOVERNMENT EXPORT CREDIT INSTITUTIONS REGARDING  
STEEL PLANTS SHOULD BE FULLY CONSISTENT WITH THE INTER-  
NATIONAL UNDERSTANDING DEVELOPED IN THE O.E.C.D.

10. IN ORDER TO FACILITATE STRUCTURAL ADAPTATION, THE  
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MEMBER GOVERNMENTS AGREE THAT DOMESTIC POLICIES TO SUSTAIN  
STEEL FIRMS DURING CRISIS PERIODS SHOULD NOT SHIFT THE  
BURDEN OF ADJUSTMENT TO OTHER COUNTRIES AND THUS INCREASE  
THE LIKELIHOOD OF RESTRICTIVE TRADE ACTIONS BY OTHER  
COUNTRIES (E.G. BY ARTIFICIALLY STIMULATING EXPORTS, BY  
RAISING STOCK LEVELS OR BY DISPLACING IMPORTS). FURTHER,  
AS A GENERAL RULE, DOMESTIC MEASURES SHOULD NOT PREVENT  
MARGINAL FACILITIES FROM CLOSING IN THOSE INSTANCES WHERE  
THE FACILITIES CANNOT BECOME COMMERCIALY VIABLE WITHIN A  
REASONABLE PERIOD OF TIME.

11. THE MEMBERS OF THE STEEL COMMITTEE AGREE TO MAKE EVERY  
EFFORT TO PROVIDE EFFECTIVE PROGRAMS FOR STEEL WORKER  
READAPTATION AWAY FROM FACILITIES IMPACTED BY STRUCTURAL  
ADJUSTMENTS INTO ALTERNATIVE EMPLOYMENT. TO THIS END, THE  
MEMBERS WILL PERIODICALLY EXCHANGE INFORMATION ON THE  
EFFECTIVENESS OF POLICIES AND PROGRAMS TO ASSIST STEEL  
WORKERS AND COMMUNITIES.

12. IN ORDER TO ENSURE FAIR ACCESS TO FERROUS SCRAP, AND  
OTHER STEELMAKING MATERIALS, THE MEMBERS AGREE THAT

RESTRICTIONS ON EXPORTS SHOULD BE LIMITED TO PERIODS WHEN SHORTAGES COUPLED WITH THE SERIOUS INFLATIONARY IMPACT OF FOREIGN DEMAND, WARRANT SUCH ACTIONS. ANY ACTIONS TO RESTRICT TRADE IN SCRAP OR OTHER STEELMAKING MATERIALS SHOULD BE REPORTED PROMPTLY TO THE STEEL COMMITTEE AND BE SUBJECT TO CONSULTATION WITH AFFECTED PARTIES.

WORK PROGRAM

13. THE COMMITTEE WILL ESTABLISH ITS WORK PROGRAM IN THE LIGHT OF THE FOREGOING OBJECTIVES AND COMMITMENTS, TAKING INTO ACCOUNT THE CURRENT SITUATION AND THE CONCERNS OF ITS MEMBERS. THIS PROGRAM WILL BE ESTABLISHED AS A MATTER OF CONFIDENTIAL

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URGENCY. END TEXT.

REF B DISCUSSES NEW EC PROPOSAL FOR A MODIFICATION OF POINTS 9 AND 12 UNDER INITIAL COMMITMENTS. HINTON

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Copy:** SINGLE  
**Draft Date:** 31 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Reference:** 78 BRUSSELS 10396, 78 BRUSSELS 10496  
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**Review Content Flags:**  
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**Subject:** DRAFT STEEL RESOLUTION WORKING GROUP SESSION OF US/EC CONSULTATIONS, MAY 26  
**TAGS:** ETRD, US, EEC  
**To:** STATE USOECD MULTIPLE  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/c5f4b39b-c288-dd11-92da-001cc4696bcc  
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